

SEISMIC SAFETY COMMISSION

1755 CREEKSIDE OAKS DRIVE, SUITE 100
SACRAMENTO, CA 95833
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INTERNET: www.seismic.ca.gov



Seismic Safety Commission
Minutes of Meeting
April 23, 2003
Fairmont Hotel, Regency II Room
170 South Market Street
San Jose, California

Members Participating

Bruce R. Clark, Chairman
Stan Y. Moy, Vice Chair
Andrew Adelman
Jim Beall (arr. 2:11 p.m.)
Mark Church (arr. 2:10 p.m.)
Lucy Jones
Lawrence T. Klein
Don Manning
Douglas E. Mochizuki
Linden Nishinaga
Celestine Palmer
Donald E. Parker
Daniel Shapiro

Members Absent

Senator Richard Alarcon/Chris Modrzejewski
Donald E. Parker
Ashok S. Patwardhan
Jimmie Yee

Staff Present

Richard McCarthy
Robert Anderson
Karen Cogan
Henry Reyes
Henry Sepulveda
Fred Turner

I. CALL TO ORDER/ROLL CALL

The meeting of the Seismic Safety Commission was called to order by Chairman Bruce Clark at 2:03 p.m. Executive Assistant Karen Cogan called the roll and confirmed the quorum.

II. CHAIRMAN'S REMARKS**Nominations Committee**

Chairman Clark recommended appointing Commissioners Donald Manning, Douglas Mochizuki, and Daniel Shapiro to serve as a Nominations Committee. He asked that the committee receive nominations for Commission chair and vice chair and bring a recommendation to the June meeting. He proposed conducting the election for 2003-04 officers at the June meeting.

ACTION: Commissioner Larry Klein made a motion, seconded by Commissioner Lucy Jones, that:

The Commission appoint the Nominations Committee to recommend new officers, as proposed by Chairman Clark.

* Motion carried, 10 - 0 (Commissioners Beall and Church absent during voting).

Resolution for Commissioner Ashok Patwardhan

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Chairman Clark read a draft resolution recognizing Commissioner Ashok Patwardhan's achievements and recommended approval.

ACTION: Commissioner Donald Manning made a motion, seconded by Commissioner Andrew Adelman, that:

The Commission adopt the resolution recognizing Commissioner Patwardhan for his service and contributions to the Commission.

- * Motion carried, 10 - 0 (Commissioners Jim Beall and Mark Church absent during voting).

Update Committee Assignments

Chairman Clark said Commissioner Church had agreed to chair the Legislative Advisory Committee, and he recommended that the Commission approve the appointment. He noted all commissioners are welcome to attend the meetings of the Budget and Planning Committee and the Legislative Advisory Committee.

ACTION: Commissioner Manning made a motion, seconded by Commissioner Linden Nishinaga, that:

The Commission appoint Commissioner Church to chair the Legislative Advisory Committee as proposed.

- * Motion carried, 10 - 0 (Commissioners Beall and Church absent during voting).

III. APPROVAL OF MARCH 13, 2003 MEETING MINUTES

Commissioner Klein drew attention to the first line at the top of Page 11. He suggested changing "conference agenda" to "meeting agenda."

Commissioner Nishinaga proposed rewording the eighth paragraph on Page 8 as follows: "Commissioner Nishinaga stated his primary concern, however the Commission gets involved in this issue, is that of overall safety." He recommended deleting the second sentence.

ACTION: Commissioner Jones made a motion, seconded by Commissioner Adelman, that:

The Commission approve the March 13 minutes as amended.

- * Motion carried, 10 - 0 (Commissioners Beall and Church absent during voting).

IV. EXECUTIVE DIRECTOR'S REPORT**Budget Update**

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Executive Director Richard McCarthy noted the monthly budget report indicates the Commission's expenditures are on track for the fiscal year.

Response Letter on Gas Shut-Off Valves

Mr. McCarthy drew attention to the draft response letter to Mr. Richard Otterstrom, Apartment Association of Greater Los Angeles. He noted the Commission discussed the Apartment Association's request at the last meeting and concluded the Commission should not intervene and ask the PUC to reverse its decision on gas valve installations in multi-unit buildings.

Commissioner Klein suggested rewording the second paragraph. He proposed deleting the first sentence, and moving the last sentence to the beginning of the paragraph.

Commissioner Adelman said he disagreed with the position being taken by the Commission.

ACTION: Commissioner Klein made a motion, seconded by Commissioner Nishinaga, that:

The Commission send the response letter as amended.

* Motion carried, 11 - 1 (Commissioner Adelman opposed).

Letter to Insurance Commission on Earthquake Models

Mr. McCarthy noted Insurance Commissioner Garamendi requested input from the Seismic Safety Commission on the accuracy of two different earthquake loss estimates, one prepared by EQECAT and one by Risk Management Solutions. In response, the staff drafted a letter explaining the difficulty in making a comparison and requesting a meeting to discuss the discrepancies in the two models.

Chairman Clark said he had a conversation with Ms. Mary Lou Zoback, U.S. Geological Survey, who is currently working on a model of the 1906 San Francisco earthquake. He recommended inviting Ms. Zoback to attend the meeting.

Senior Structural Engineer Fred Turner noted the staff had access to the U.S. Geological Survey's work, and Commissioners Jones and Palmer participated in the review process. He said that based on that information and after comparing the two loss models, the staff concluded that the EQECAT model was probably more complete in representing the 1906 earthquake.

Commissioner Jones noted Ms. Zoback used HAZUS, an open source loss model developed by FEMA, in her work. She expressed her opinion that the EQECAT and RMS reports do not contain enough information to make an adequate comparison. She added that the inventory database and fragility models are issues that should be addressed.

Chairman Clark suggested bringing these issues to the attention of the Insurance Commissioner. He noted the state should be using the best and most current databases available.

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ACTION: Commissioner Manning made a motion, seconded by Commissioner Jones, that:

The Commission authorize the staff to send the response letter as proposed.

* Motion carried, 12 - 0.

Mr. McCarthy asked Chairman Clark and Commissioners Jones, Shapiro, Adelman, and Palmer to attend the proposed meeting. He said he would let commissioners know the date and time once arrangements have been made.

Letter to Legislators on School Safety

Mr. McCarthy requested that the Commission review and approve the draft letter to Governor Davis and members of the California Legislature regarding school seismic safety. He welcomed comments and suggestions from commissioners.

Commissioner Klein recommended changing the word “need” in the next-to-last line of the second paragraph to “want.”

Chairman Clark noted there should be no apostrophe after “Californian” in the second line of the second paragraph.

Mr. McCarthy said the staff will be preparing a more detailed outline of the white paper.

ACTION: Commissioner Klein made a motion, seconded by Commissioner Jones, that:

The Commission authorize the staff to send the letter as amended.

* Motion carried, 12 - 0.

Chairman Clark recommended also sending the letter to First Lady Sharon Davis.

New Commissioner

Mr. McCarthy announced the appointment of a new commissioner, Jimmie Yee, and noted the press release in the meeting packet describes Mr. Yee’s background and qualifications. He said Mr. Yee was unable to be present this meeting but planned to attend the June meeting.

Staff Workload Projection

Mr. McCarthy noted that at the last meeting, the Commission directed the staff to prepare a response to the letter regarding gas shut-off valves, which prompted a discussion of the staff’s overall workload and priorities. He drew attention to the summary of ongoing tasks, including committee support, tracking progress on *California Earthquake Loss Reduction Plan* initiatives, project management of contractors, office operations and administration, budgeting, and special projects. He asked commissioners to let the

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staff know as soon as possible if there were other items that should be included in the staff's workload projections.

Commissioners asked whether funding issues have been resolved with the Department of Insurance. Mr. McCarthy responded that the Department of Insurance made an offer, and he invited Director of Legislation Henry Sepulveda to explain the details.

Mr. Sepulveda noted the Governor's budget for 2003/04 proposes a shift in Commission funding from the general fund to a special account within the insurance fund paid for by a \$1 surcharge on every existing earthquake insurance policy. The Department of Insurance estimates that the surcharge could produce as much as \$1.2 million in revenues. At a hearing before the Assembly Budget Committee, the Department of Insurance proposed funding the Commission through an assessment against premiums already collected, and the Assembly directed the parties to consider this assessment mechanism.

Mr. Sepulveda reported that he and Mr. McCarthy met later with representatives of the Department of Insurance and Department of Finance to discuss the details, and participants came to a general agreement on the assessment mechanism and language to be added to a trailer bill. However, the Department of Insurance felt strongly that a July 1, 2007, sunset date should be imposed on the assessment, after which time the Commission would need to find another source of funding. Mr. Sepulveda said the Planning and Budget Committee discussed the Department of Insurance proposal and voted to accept the sunset provision, with the understanding that in the meantime, the Commission will work on identifying an alternative source of funds.

Mr. McCarthy noted the Seismic Safety Commission has been trying for a long time to seek alternatives to general fund support. He expressed his opinion that the Department of Insurance offer was a fair compromise. He strongly recommended that the Commission accept the offer as the best way to resolve its budget uncertainties.

ACTION: Commissioner Beall made a motion, seconded by Commissioner Church, that:

The Commission accept the Department of Insurance's offer to fund the Commission with an assessment against premiums until July 1, 2007.

Commissioner Nishinaga asked what Insurance Commissioner Garamendi thought of the plan. Mr. McCarthy said Mr. Garamendi appreciates the work done by the Seismic Safety Commission but feels it would be unfair to policyholders to fund the Commission in perpetuity. He added that the funding offer is contingent on acceptance of the sunset date.

Mr. McCarthy noted the Commission will need to develop a budget change proposal by September of 2006 for an alternative source of funding.

* Motion carried, 12 - 0.

II. CHAIRMAN'S REMARKS (Continued)

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Chairman Clark recognized and thanked Mr. McCarthy, Mr. Robert Anderson, and other staff members for their work on the color map showing earthquake shaking potential in California. He noted the map was released on April 22 and received good press coverage.

Chairman Clark expressed his appreciation to Mr. McCarthy for his assistance in arranging the Commission's participation in the Disaster-Resistant Conference. He noted the Commission's presence increased the Commission's visibility and presented the Commission in a favorable light. Chairman Clark thanked commissioners and staff for manning the booth at the conference.

V. COMMITTEE REPORTS**Bay Area Rapid Transit (BART) Retrofit Oversight Committee**

Commissioner Shapiro reported that the BART peer review process continues. He noted there has been a minor dispute regarding rocking of elevated track supports and the impact on operability and costs, but that issue is likely to be resolved soon. Commissioner Shapiro said BART's next step will be to find money to pay for the work and plan the construction stages. He noted work on the Transbay Tube is likely to occur before other parts of the system. He added that the Commission's oversight role is virtually completed.

Commissioner Beall said the Metropolitan Transportation Commission endorsed SB 916 (Perata), which would raise bridge tolls by \$1 to provide approximately \$300 million for the BART retrofit. He noted the entire project is estimated to cost about \$1 billion, so additional federal and state funds will be needed. Commissioner Beall said a ballot measure will be presented to the voters of the nine Bay Area counties in November of 2004. He offered to provide a list of projects covered by that funding.

Commissioner Shapiro recommended that the Commission support BART retrofit funding bills.

Building Code Amendments

Commissioner Adelman reported that the Division of the State Architect (DSA) and the Office of Statewide Health Planning and Development (OSHPD) are in the process of reviewing amendments to bring the building codes current.

Mr. McCarthy said he attended a committee meeting and was impressed with the way Commissioner Adelman represented the Seismic Safety Commission. He noted Commissioner Adelman stressed the importance of updating the codes to incorporate advances in technology and science and urged DSA and OSHPD to work to improve seismic safety. He thanked Commissioner Adelman for his strong advocacy.

Research Implementation Committee

Commissioner Jones reported that the Research Implementation Committee met and decided to base its report on the *California Earthquake Loss Reduction Plan's* research goals. She also recommended adding Dr. Jack Moehle to the committee.

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**Urban Search and Rescue (USAR) Committee**

Commissioner Mochizuki said the USAR Committee will be meeting with DSA representatives on May 1 to work on the final draft of the proposal.

Pacific Earthquake Engineering Research (PEER) Center Review Committee

Commissioner Nishinaga noted the PEER Review Committee will also be meeting on May 1 in Pasadena to review the initial draft of the report.

VI. LEGISLATIVE OVERVIEW

Mr. Sepulveda provided an update on pending bills.

Commission-Sponsored Bills

Mr. Sepulveda reported that AB 1066 (Liu), which proposes \$700 million in general obligation bonds to fund retrofit of local government buildings, is scheduled for a hearing on Tuesday, April 29, before the Assembly Business and Professions Committee. He said he would contact individual commissioners to testify at the hearing. He added that the bill is likely to pass.

Mr. Sepulveda said the Department of General Services estimates it will cost about \$475 million to retrofit essential services buildings, so additional funds may be available for other types of retrofit projects. He noted the staff recommends keeping the \$700 million figure in the bill so the types of buildings and communities eligible for bond funds can be expanded.

Commissioner Shapiro asked if the bill would allow reimbursement to communities that already undertook retrofit work on their own. Mr. Sepulveda responded that there is no provision in the bill for reimbursement.

Commissioner Adelman said he understood the legislature was not likely to approve new bond measures this year. Mr. Sepulveda acknowledged that there were some indications of resistance to new funding measures, but nothing official. He noted these issues are most likely to be raised in the fiscal committees rather than the policy committees. Mr. Sepulveda added that the fiscal impact of a bond measure is typically not felt for two to four years after passage.

Mr. Sepulveda reported that AB 1573 (Corbett), which conforms design-build contracting rules for K-12 schools with design-build rules applicable to community colleges, is scheduled for a hearing before the Assembly Business and Professions Committee on May 6. He noted the author is looking at technical amendments, but no major problems are anticipated.

Mr. Sepulveda said AB 1576 (Liu), the bill requiring water heater strapping in rental units, was scheduled for an April 30 hearing before the Assembly Housing and Community Development Committee. He noted the California Association of Realtors (CAR) proposed amendments that were accepted by the author. The amendments provide that no building permit would be necessary for the strapping, and that the bill would apply only to water heaters of 120 gallons or less. Mr. Sepulveda said

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there are discussions about a possible certification process whereby landlords would be required to notify tenants of compliance. He expressed his opinion that the CAR amendments strengthen the bill.

Commissioner Adelman urged the staff to contact Mr. Doug Hoffner, the legislative contact person for CALBO, an important stakeholder group, for his input.

Other Pending Bills

Mr. Sepulveda recommended that the Commission change its “oppose” position to “neutral” on AB 699 (Lieber). He noted the original version of this bill called for a new board to regulate registered construction inspectors for schools and hospitals. He said the bill has since been amended to require only a study.

Commissioner Shapiro asked about the background behind AB 699. Mr. Sepulveda said inspectors complained that the current examination process was discriminatory, too infrequent, and not fairly administered. Commissioner Shapiro asked if the bill would impact the quality of inspectors. Mr. Sepulveda answered that OSHPD felt the quality of inspectors would be diminished, and this position influenced the author to change the bill.

Commissioner Adelman recommended that the staff contact CALBO on this bill as well.

ACTION: Commissioner Church made a motion, seconded by Commissioner Manning, that:

The Commission change its “oppose” position to “neutral” on AB 699.

Commissioner Shapiro expressed his opinion that the present system was working well enough; he said he was not convinced of the need for a study and would be voting against the motion. Commissioner Adelman agreed. He asked what position DSA and OSHPD were taking. Mr. Sepulveda responded that both agencies opposed the original version of the bill.

Chairman Clark pointed out that the Commission’s opposition had been based on the proposal to create a new entity. He noted the amendment addressed that concern, so a “neutral” position would be appropriate.

Commissioner Jones asked if the purpose of the study was to make changes to the system in the future. Mr. Sepulveda said the outcome of the study was not clear. He noted Assemblywoman Lieber felt there was some validity to the complaints.

Commissioner Church expressed his opinion that there would be no harm in undertaking a study. He noted it might be beneficial in terms of improving the existing process. He agreed with Chairman Clark that the basis for the Commission’s objection had been removed.

Commissioner Adelman commented that it might be best to wait and see what position OSHPD and DSA take on the amended version of the bill. Chairman Clark observed that DSA and OSHPD might oppose the bill anyway if they are resistant to changing the existing system.

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- * Motion carried, 8 - 4 (Commissioners Adelman, Jones, Mochizuki, and Shapiro opposed).

Mr. Sepulveda recommended changing the Commission's position of "watch" to "support" on AB 1598, a bill that would extend the California Earthquake Authority's retrofit program. He noted the bill is consistent with the Commission's goals and priorities.

ACTION: Commissioner Church made a motion, seconded by Commissioner Klein, that:

The Commission support AB 1598.

- * Motion carried, 12 - 0.

Commissioner Beall asked the staff to provide an update on SB 916 (Perata), the bill to increase bridge tolls to fund BART retrofit, at the next meeting.

Mr. Sepulveda recommended that the Commission continue to watch SB 684, which makes a technical change pertaining to BAREP and SCEP.

Mr. Sepulveda noted another bill of concern is AB 1609 (Spitzer), a bill that would allow the design-build-operate process to be used for public buildings. He said extensive amendments had been submitted earlier that week, but they were rejected by the author. He recommended continuing to watch this bill.

Mr. Sepulveda concluded by saying he would contact individual commissioners for assistance in providing testimony at hearings the following week. He noted the staff will try to coordinate commissioners' schedules to arrange meetings to present the shaking hazard maps to key legislators.

VII. BRIEFING ON CALIFORNIA EARTHQUAKE AUTHORITY

Ms. Elaine Bush, Chief Executive Officer, California Earthquake Authority (CEA), introduced Mr. Mike Grottkau, Mitigation Manager; Mr. Dan Dyce, Disaster Response Manager; and Mr. Stan Devereux, Legislative and Public Affairs Director. She reviewed a fact sheet about CEA and explained that it was created after the Northridge earthquake to provide earthquake insurance to California homeowners. She noted the CEA is the world's largest residential earthquake insurance provider, with about 750,000 policy holders and more than \$7 billion in resources. Ms. Bush said 18 insurance companies participate in CEA and write more than 70 percent of all earthquake insurance policies in California.

Ms. Bush explained that CEA's role is limited to post-earthquake response rather than underwriting. She noted that as insurance rates have climbed and the time since the last major earthquake has grown, California homeowners are increasingly dropping earthquake coverage. She said in the past twelve months, the number of CEA policy holders has gone from 802,000 to about 750,000.

Commissioner Nishinaga noted Insurance Commissioner Garamendi has expressed the opinion that insurers should not penalize homeowners who file claims. Instead, insurers should be looking at

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addressing risk rather than the number of claims. Commissioner Nishinaga asked whether earthquake insurance rates should go down because of the long time since the last major earthquake. Ms. Bush responded that the way insurers treat homeowners who file claims is a regulatory and underwriting issue. She said CEA follows claims adjusting guidelines to ensure consistency in handling claims after earthquakes. She noted rates are based on a number of actuarial factors, and the time since the last earthquake is not the determinant.

Ms. Bush described CEA's education and outreach programs, and noted the meeting handouts provide more details on specific activities. She said the CEA would be holding strategic planning sessions on April 28 in Sacramento and May 8 in Los Angeles. Ms. Bush noted CEA has a Product Review Committee to look at improving the product offered to consumers, and levels of coverage and deductibles are part of that review.

Mr. Grottkau said CEA is in the process of developing a mitigation strategy. As part of that effort, the Mitigation Steering Committee is seeking input from OES, the Department of Insurance, FEMA, the State Fire Marshal, the Seismic Safety Commission, other state and local government agencies, and members of the public. Mr. Grottkau noted the possibility of forming a joint powers authority (JPA) to facilitate mitigation is being explored, and a feasibility study will be launched on May 9. He thanked Mr. McCarthy for his assistance with these activities.

Ms. Bush added that the CEA has approximately \$2.7 million available for mitigation activities, representing 5 percent of the agency's yearly investment income. CEA believes partnering with other agencies makes sense in terms of marketing, mitigation, and prevention programs. Ms. Bush noted the plan is to start small, with participation from OES, the Department of Insurance, Department of Conservation, and the Seismic Safety Commission. She noted CEA will be looking at liability issues and reinsurance funding for mitigation.

Commissioner Beall asked if CEA offers special programs for elderly and low-income consumers. Mr. Grottkau explained that CEA is prohibited from targeting any specific population group. Ms. Bush clarified that the Internal Revenue Service requires that CEA programs be offered to all consumers equally. Mr. Grottkau added that CEA conducted an independent survey and determined that for 7,100 engineering reports produced by the agency, about 41 percent of the consumers followed through with some kind of retrofitting.

Commissioner Beall asked about the percentage of low-income people participating in the CEA program. Mr. Grottkau said he could find out and provide that information. Commissioner Beall asked if CEA maintains demographic information on its policy holders, and Ms. Bush responded that some demographic information is available.

Commissioner Beall asked if most policy holders lived in affluent areas. He explained that he was interested in finding out if CEA was benefiting all homeowners in California. Mr. Dyce answered that the average home value for CEA policy holders is \$256,000, which is not considered affluent in California.

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Commissioner Nishinaga asked if CEA accepts all applicants, including homeowners who made claims. Mr. Dyce responded that the CEA program is open to everyone. He noted the 18 participating insurance companies handle underwriting.

Chairman Clark noted the purpose of the proposed JPA is to collect funds for mitigation. He noted the Commission could serve a useful role in joint dissemination of information and providing advice on mitigation techniques.

Chairman Clark thanked the CEA representatives for their presentation.

Mr. Paul Jacks, Office of Emergency Services (OES), thanked the Commission for supporting the Disaster-Resistant Conference. Chairman Clark congratulated OES for the successful conference.

VIII. LESSONS LEARNED FROM WORLD TRADE CENTER

Ms. Frances Edwards Winslow, Director of Emergency Preparedness, City of San Jose, and Research Associate, Mineta Transportation Institute, gave a presentation on the economic impacts of the World Trade Center collapse after the September 11 terrorist attacks. She noted the impacts are similar to those experienced after major earthquakes.

Ms. Winslow showed slides and explained the history of the World Trade Center. Built in 1966 to 1973, she noted, construction of the six buildings entailed excavation of 1.2 million cubic yards of dirt and resulted in creation of a mixed-use area consisting of offices, housing, stores, and parking. Tenants of the World Trade Center were some of the most important financial firms in the U.S.

Ms. Winslow said the September 11 attacks caused the collapse of buildings and created a huge dust cloud of hazardous materials. She noted the collapsed buildings housed New York's emergency response agencies, as well as offices of the FBI, ATF, and other federal agencies. The adjacent federal building was closed for months after the event, which hampered recovery efforts. Because of dust and debris, nearby business owners had to get EPA clearance to reopen, a process that often took considerable time.

Ms. Winslow said that besides destroying the buildings, the terrorist attacks damaged the underground infrastructure in the area, resulting in evacuation of subway stations and impacting the ability of commuters to travel back to their homes.

Ms. Winslow commented that the disaster demonstrated the value of having emergency kits in cars, making pre-disaster plans for family members to meet in designated places, and having out-of-state contacts to facilitate communication. She noted previous evacuation drills taught people how best to respond, and that experience saved many lives. Ms. Winslow added that not one life was lost in the World Trade Center towers below the points where the terrorist airplanes hit.

Ms. Winslow said the World Trade Center attacks had far-reaching effects on the region's transportation systems and economy. Besides causing tremendous traffic congestion for months, the disaster resulted in the closure of over 2,000 small businesses, restaurants, and shops in the immediate area. Ms. Winslow noted losses include about 13 million square feet of office space, 18 million jobs, \$6.1 billion

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in retail sales for the month of September alone. She estimated the total loss was about \$95 billion to Manhattan, of which \$40 billion was insured. FEMA's costs related to the disaster were about \$9 billion.

Ms. Winslow said the disaster also had huge impacts on tax revenues, resulting in a \$6 billion deficit for New York City's budget, of which approximately \$3 billion was directly related to the attacks. She noted New York is balancing its budget with bonds, but debt service on the bonds costs about \$36 million.

Ms. Winslow reported that the World Trade Center attacks impacted Social Security in ways that were not anticipated, due to the large numbers of widows, orphans, dependent children, and posthumous births.

Ms. Winslow pointed out that the effects of this disaster are similar to the losses a major earthquake in an urban center could cause: damage to many buildings, loss of hundreds of thousands of housing unit, and disruption of thousands of road segments. She emphasized that pre-disaster mitigation is the only way to prevent such huge long-term impacts.

Chairman Clark thanked Ms. Winslow for her presentation.

IX. SAN FRANCISCO PUBLIC UTILITIES COMMISSION (PUC) CAPITAL IMPROVEMENT PROGRAM UPDATE

Ms. Patricia E. Martel, General Manager, San Francisco PUC, gave an update on the Hetch Hetchy capital improvement program, the largest infrastructure program undertaken in the history of the San Francisco PUC. She reported that the San Francisco PUC is making good progress in securing funds and planning retrofit projects.

Ms. Martel noted San Francisco voters mandated improvements to the system in November of 2002 and approved \$1.6 billion in water revenue bonds to pay for 77 projects. The total costs of the retrofit are expected to be about \$3.6 billion, and the remaining costs will be funded by rate-paying customers.

Ms. Martel said the capital improvement program will take about 13 years to complete. The goals of the program are to improve system reliability and seismic safety and to maintain water quality. Ms. Martel noted that because of the urgency of the problems, the San Francisco PUC is refining and accelerating the construction schedule. In 2003, 31 projects will be designed, and four local projects will be constructed. In addition to this work, the San Francisco PUC will conduct environmental reviews for some of the larger regional projects, including the Calaveras Dam, San Joaquin and Bay Division pipelines, and the Irvington Tunnel.

Ms. Martel noted AB 1823 established goals and deadlines, and the San Francisco PUC is working hard to move ahead with these mandates. She said an emergency recovery plan is due by June for submission to OES in July and finalization by September. The San Francisco PUC is in the process of creating a regional planning agency to represent its wholesale customers. Ms. Martel noted Proposition E, a companion measure approved last November, creates two oversight bodies at the local level, a citizens

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advisory board and a rate fairness board. Proposition P creates a revenue bond oversight committee to address fiscal concerns.

Ms. Martel said the San Francisco PUC's future challenges include outreach to stakeholders, producing annual reports for the state, and accelerating project schedules whenever possible.

Commissioner Beall asked for more detailed information on the construction management system. Ms. Martel stated the San Francisco PUC created an organizational model to facilitate getting most of the work done in-house, although the staffing plan calls for using some outside consultants for specialty work. She estimated that 300 engineers will be working on the capital improvement program by 2008. The San Francisco PUC will be using the services and resources of the San Francisco Department of Public Works, San Francisco International Airport, and the MUNI system. Ms. Martel added that the San Francisco PUC is looking at alternative delivery options, including use of the design-build process for four specific projects.

Commissioner Church publicly commended Ms. Martel for her efforts. He noted the Hetch Hetchy is a big issue of concern for suburban water customers. He asked if the emergency plan focuses on restoring operations or delivery of water pending post-disaster repairs. Ms. Martel responded that the plan addresses both goals. She said the overall goal is a fair and equitable method of distribution.

Chairman Clark thanked Ms. Martel for her report.

IX. MISCELLANEOUS - PUBLIC COMMENT PERIOD

There were no members of the public who wished to address the Commission.

X. GOOD OF THE MEETING

Mr. Anderson distributed copies of the color shaking hazard map to all commissioners. He thanked OES, the U.S. Geological Survey, Commissioner Jones, and Chairman Clark for their assistance with this project. Chairman Clark noted the map is the product of six months of hard work, and he expressed his appreciation to Mr. Anderson and the staff for their effort. Mr. Anderson commented that the next step will be outreach and education.

XI. ADJOURNMENT

There being no further business, a motion was made and seconded that the meeting be adjourned. The meeting was adjourned at 4:43 p.m.

Sue Celli
Office Manager

Approved by:

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